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FISCAL IMPACT STATEMENT

LS 6890

BILL NUMBER: HB 1280

NOTE PREPARED: Jan 30, 2008

BILL AMENDED: Jan 24, 2008

SUBJECT: Energy Efficient Buildings.

FIRST AUTHOR: Rep. Pierce

FIRST SPONSOR: Sen. Hershman

BILL STATUS: As Passed House

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) *Construction, Reconstruction, Repair, Alteration, or Retrofitting of Public Building or Structure:* The bill requires a building or structure constructed, reconstructed, repaired, altered, or retrofitted under certain public works contracts entered into after December 31, 2008, to be designed with the goal of achieving the silver rating under the United States Green Building Council's Leadership in Energy and Environmental Design (LEED) rating system, the Green Globes Two Globes level, or an equivalent standard under an equivalent rating system that is accredited by the American National Standards Institute.

It provides that the certification requirement does not apply to a public works contract entered into by a school corporation.

State Agency Purchases: It provides that for state agency purchases, there is a 5% price preference for certain office equipment that is compliant with the United States Environmental Protection Agency Energy Star ratings.

Indiana Economic Development Corporation: The bill allows the Indiana Economic Development Corporation (IEDC) to adopt rules allowing the corporation to give priority to economic development projects that meet or surpass the standards of the leadership in energy and environmental design ratings systems developed by the U.S. Green Building Council or the Green Building Initiative.

Effective Date: July 1, 2008.

Explanation of State Expenditures: (Revised) *Department of Administration, Public Works:* The bill will

increase up-front costs for the Department of Administration (DOA) to construct or reconstruct, repair, alter, or retrofit public buildings and structures to meet the silver rating under the LEED or Green Globes rating systems, or an equivalent rating system accredited by the American National Standards Institute. However, the additional cost to build using the LEED or other rating systems is indeterminate and will depend on the project undertaken. Additional construction or reconstruction, repair, alteration, or retrofitting costs may be offset by energy savings or durability in future fiscal periods.

Department of Administration, Equipment Purchases: The bill could increase costs for equipment purchases to the extent that a price preference for Energy Star-compliant equipment is 5%. However, energy cost savings could offset initial costs. The DOA reports that 99% of the electrical equipment purchased for the state in 2005 was compliant with the Energy Star rating.

Indiana Economic Development Corporation: The IEDC could incur minimal cost to adopt rules concerning priority projects.

(Revised) *Additional Details and Background Information* - The public works provisions apply to any state public work, a public work by a state agency, and state institutions. The project must have a value of more than \$1 M and does not apply to structures listed on or eligible for listing on the National Register of Historic Places or structures designed solely to store commodities or other property, such as a highway salt barn.

Five state buildings have received LEED certification, including the Issac Ray Forensic Patient Facility at Logansport State Hospital (received silver certification); three buildings at Madison State Hospital; and the Department of Health and State Police Laboratory. The DOA incorporates some LEED standards in new capital projects depending on the circumstances of the building or facility. Also, the DOA audits campus-type facilities for energy use. DOA indicates that audits of certain state facilities that do not have air conditioning or heating systems may not be cost-effective.

The LEED rating system has four categories for both new and existing buildings that include certification, silver, gold, and platinum standards. The rating is determined by earning points in categories, including sustainable sites, water efficiency, energy and atmosphere, materials and resources, indoor environmental quality, and innovation in design. LEED informational material indicates that existing building standards have an average return on investment of 2.6 years and annual net savings of \$170,000. The Green Building Initiative is a nonprofit network of building industry leaders that works with design and building practitioners to facilitate understanding and acceptance of sensible green building practices among mainstream builders.

Explanation of State Revenues:

Explanation of Local Expenditures: (Revised) Local units, except school corporations, would have to construct and reconstruct, repair, alter, or retrofit public buildings and facilities to meet the LEED or Green Globes rating standards or equivalent rating system accredited by the American National Standards Institute if the project contract is more than \$1M, the structure is not on or eligible to be on the National Register of Historic Places, and the structure is not designed to store commodities or other property.

Explanation of Local Revenues:

State Agencies Affected: DOA; Agencies making supply purchases; State public works; IEDC.

Local Agencies Affected: Local public works.

Information Sources: Tom Coulter, DOA; www.USGBC.org;
<http://www.in.gov/legislative/igareports/agency/reports/ADMIN03.pdf>;
<http://www.thegbi.org/gbi/howeare.asp>.

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